

End of tax season is a chance for small businesses to start fresh

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NEW YORK - As small business owners wade through a morass of receipts and invoices while compiling their tax returns, many come to the painful realization that they need to find a better way to manage their companies' finances. Management and financial advisers suggest starting with a budget that will help make a business and its cash flow more predictable.

"If you have a budget and something starts to go astray, you have an early warning that you have to make some shifts" in your strategy, said William W. Sihler, a professor of business administration at the University of Virginia's Darden Graduate Business School.

This might sound obvious, but many well-meaning business owners don't keep track of how much money comes in and goes out. Entrepreneurs, whose gift is coming up with a great idea and executing it, tend to know relatively little about critical topics such as cash flow, computing the costs of goods and services or managing accounts receivables. It's often at tax time that they discover that their finances are beyond their control.

Sihler, co-author of "Smart Financial Management," warned that if an owner doesn't get a grip on the financial end of the business, the company could fail - even if it has a great product or service that the marketplace is clamoring for.

Moreover, a budget, and an accurate set of books, will be critical if you want to borrow money.

"Bankers are much more likely to pay attention and to be receptive if you can document what it is you're doing," Sihler said.

Perhaps the best approach is to delegate the minding of your company's money to someone more skilled and more focused on finances. If your business is big enough, you should consider hiring a controller or chief financial officer. If that's not an option, and you use a certified public accountant to do your taxes, then start consulting with him or her regularly. You don't have a CPA? Get one.

There are other low-cost or no-cost options. SCORE, an organization of retired business executives who volunteer to help small companies, has plenty of people who can help you with a variety of financial matters. You can meet in person with a SCORE volunteer, or you can get help by phone or e-mail; you can access SCORE at www.score.org or by calling 1-800 634-0245.

Another resource is one of the more than 1,000 Small Business Development Centers around the country, often at colleges, universities and chambers of commerce. Many SBDCs will offer advice to small business owners to help them get a start on being more financially savvy; but they are also likely to recommend hiring someone to help keep the company more financially secure on an ongoing basis.

SBDCs, which are sponsored by the Small Business Administration, can be located at www.sba.gov/sbdc

But even if you do turn over the financial end of the business to someone else, it's a good idea to familiarize yourself with some of the basics of business finance. For one thing, you really do need some understanding of finances to know what's going on with the business and to make sound decisions. You'll also be saving some money on a CPA's hourly rate if he or she doesn't have to explain things from scratch.

You can get a grounding in finance at many SBDCs, which offer courses on starting a business at little or no cost. Many centers also offer courses on specific financial topics.

Other resources include the SBA's Online Women's Business Center. Click on www.onlinewbc.gov/docs/finance and you'll find a series of pages about a variety of business finance subjects, from "Introduction to bookkeeping & accounting" to "The Cash Flow Statement - where did all the money go?"

There are also plenty of books available. Browse the offerings at a library or bookstore with a good selection of business volumes, and you should find some that will make you feel more comfortable with the subject.